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For action

Amendments to the UNICEF financial regulations

Summary

UNICEF proposes to make the limited amendments to its financial regulations set out in the present document. These amendments address certain matters raised by the United Nations Board of Auditors dealing with cash assistance to Governments, and also reflect certain "housekeeping" changes.

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I. Introduction

1. UNICEF proposes to make a limited number of amendments to its financial regulations, as set out in the present document. These proposed changes have the following two purposes: first, to address the United Nations Board of Auditors' recommendation, in the report of their audit of the UNICEF financial statements for the biennium ended 31 December 1995 (A/51/5/Add.2), that UNICEF review its policy as to the recording of cash assistance to Governments; and second, to make certain "housekeeping" changes arising mainly as a result of the budget harmonization process. As noted by the Board of Auditors in the report of their audit of the UNICEF financial statements for the biennium ended 31 December 1997 (A/53/5/Add.2), UNICEF had undertaken to review its policy as proposed by the Board of Auditors.

II. Proposed changes to UNICEF financial regulations

2. The annex contains the proposed changes to the financial regulations for which the Executive Director is seeking the approval of the Executive Board. These proposals have been made in consultation with the United Nations Office of Legal Affairs, which has approved them. A copy of the proposed changes has also been submitted to the Advisory Committee on Administrative and Budgetary Questions for its consideration and comments.

III. Changes to address the issue of cash assistance to Governments

3. The Board of Auditors recommended that the UNICEF policy of recording cash assistance to Governments as programme expenditure at the time funds are advanced (as expressed by the Board of Auditors) should be reviewed for consistency with the definition of programme expenditure in the UNICEF financial regulations and programme management procedures.

4. UNICEF has now carried out that review and is satisfied that it has been consistent since 1969 in its policy of recording cash assistance as an expenditure at the time it is transferred to Governments. Moreover, this practice was adopted in accordance with a recommendation of the Board of Auditors in the report of its audit of the UNICEF financial statements for 1968. In addition, UNICEF remains satisfied that the recording of cash assistance as an expenditure at the time it is transferred is appropriate, as that is the point at which ownership of the funds passes. However, following this review, UNICEF has reached the conclusion that the definition of "programme expenditures" in Regulation 1.1 (m), although intended to incorporate and reflect the Board of Auditors' 1968 recommendation, is somewhat confusing and hard to interpret. Therefore, UNICEF is proposing to amend the definition in Regulation 1.1 (m) to bring it into line with both established practice and the original intent of the 1988 regulations and to set the nature of programme expenditure within the context of UNICEF programmes of cooperation with Governments.

5. In order to achieve these objectives, UNICEF proposes to adopt a definition that incorporates an accepted definition for each of the two elements in "programme expenditure". First, UNICEF proposes to adopt the definition of "programme" from the budget harmonization exercise. That definition refers to "programmes" as the direct inputs

needed to achieve the objectives of a specific project for development cooperation. This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training. Second, UNICEF proposes to adopt the definition of "expenditures" from the United Nations Accounting Standards. That definition provides that expenditures for a financial period are the sum of the disbursements and valid unliquidated obligations made against the allocation for the period.

6. Based on the above, the new definition set out in proposed Financial Regulation 8.6, is as follows:

> Programme expenditures for a financial period is the sum of the disbursements and valid unliquidated obligations made against the allocation of the period in respect of direct inputs needed to achieve the objectives of a specific project or programme. This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training.

IV. Harmonized biennial support budget

7. In its decision 1997/5 (E/ICEF/1997/12/Rev.1), the Executive Board approved the harmonized presentation of the biennial support budget for UNICEF and other funds and programmes. UNICEF proposes a number of changes to bring the Financial Regulations into line with that decision.

V. New methodology for calculation of recovery costs

8. UNICEF proposes a particular change to bring the financial regulation in line with the Executive Board decision concerning the calculation of the UNICEF recovery charge (E/ICEF/1998/6/Rev.1, decision 1998/21). In that decision, the Executive Board approved a new methodology for the calculation of recovery costs in respect of supplementary funds. This methodology is not based on separately identifiable costs, thereby necessitating revision of Financial Regulation 4.4.

VI. Further planned changes

9. In the course of addressing the concerns of the Board of Auditors and preparing these proposed changes, UNICEF has concluded that a more far-reaching set of changes to the Financial Regulations and Rules of UNICEF is required. A working group has been appointed to consider a number of issues that have arisen and to prepare a number of position papers for discussion within the organization. Proposals may be presented to the Executive Director, who may submit additional changes to the financial regulations to the Executive Board for approval.

Annex

AMENDMENTS TO THE FINANCIAL REGULATIONS

REGULATIONS	NOTE / REF.
ARTICLE I: DEFINITIONS	RESTRUCTURED
Regulation 1.1: For the purpose of these regulations the following definitions *of the main entities involved in the activities of UNICEF* shall apply:	Revised
(a) ~~(p)~~ "UNICEF" shall mean the United Nations Children's Fund.	Old (p)
(b) ~~(i)~~ "General Assembly" shall mean the General Assembly of the United Nations;	Old (i)
(c) ~~(g)~~ "Executive Board" or "Board" shall mean the Executive Board of UNICEF;	Old (g)
(d) ~~(a)~~ "Advisory Committee" shall mean the Advisory Committee on Administrative and Budgetary Questions of the United Nations;	Old (a)
(e) ~~(o)~~ "Secretary-General" shall mean the Secretary-General of the United Nations or the officials to whom the Secretary-General has delegated authority and responsibility for the matter in question;	Old (o)
(f) ~~(h)~~ "Executive Director" shall mean the Executive Director of UNICEF or the officials to whom the Executive Director has delegated authority and responsibility for the matter in question;	Old (h)
(g) ~~(d)~~ "Board of Auditors" shall mean the United Nations Board of Auditors;	Old (d)
Regulation 1.2: For the purpose of these regulations, the following definitions in respect of specific terms used shall apply. These terms are listed in alphabetical sequence.	New
A	
(i) ~~(b)~~ "Appropriations" shall mean the total amount approved by the Executive Board for specified purposes for the current biennial *support* budget against which obligations may be incurred for those purposes up to the amounts so approved;	Old (b) Terminology
(ii) ~~(c)~~ "Appropriation line" shall mean a subdivision of the appropriations for which a specific amount is shown in the appropriations ~~resolution~~ *decision*.	Old (c) Terminology
B	
(i) "Biennial support budget" shall mean the budget of UNICEF covering programme support and management and administration of the organization.	New Harmonization definition

C	
(i) ~~(e)~~ "Capital assets" shall mean assets intended for long-continued use or possession, e.g., land, buildings and non-expendable equipment;	Old (e)
(ii) ~~(f)~~ "Contributions" shall mean voluntary contributions from Governments as well as funds, contributions, donations and other assistance from intergovernmental organizations, non-governmental organizations, voluntary agencies, individual and other sources;	Old (f)
D – F	
G	
(i) ~~(j)~~ "Greeting Card Operation" shall mean the organizational entity established within UNICEF to generate public support and funds for UNICEF, ~~mainly~~ through, ***in part***, the production and marketing of greeting cards and other products. ***"Greeting Card Operation" is now known as "Private Sector Division"***;	Old (j); Terminology
H – L	
M	
(i) "Management and administration of the organization" shall mean the activities of UNICEF organizational units whose primary function is the maintenance of the identity, direction and well-being of the organization. This will typically include units that carry out the functions of executive direction, organizational policy and evaluation, external relations, information and administration.	New Harmonization definition
N	
(i) ~~(k)~~ "National Committees for UNICEF" shall mean national organizations which have concluded a relationship agreement with UNICEF for the purpose of promoting the aims and objectives of UNICEF;	Old (k)
O	
P	
(i) "Programme(s)" shall mean ***(a) those activities associated directly with the preparation, implementation and monitoring and evaluation of UNICEF's cooperation;*** ***(b) for the purpose of related financial information, direct inputs needed to achieve the objectives of a specific project or programme for development cooperation. This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training.***	New – Replaces old (l) and (m) Subparagraph (b) is based on harmonization definition
(ii) "Programme support ~~and administrative services expenditures~~" shall mean the *activities of UNICEF organizational units whose primary function is the development, formulation, delivery and evaluation of the organization's programmes. This will typically include units that provide backstopping of programmes either on a technical thematic, geographic, logistical or administrative basis* costs ~~incurred for the provision of UNICEF management, technical, administrative and financial support services for programme activities~~;	Revised old (n) Harmonization definition

R – Z	
ARTICLE II: APPLICABILITY	NO CHANGES
ARTICLE III: ACCOUNTABILITY	NO CHANGES
ARTICLE IV: FINANCIAL RESOURCES	
Regulation 4.4: Contributions to UNICEF to finance programmes or projects approved by the Executive Board subject to supplementary funding shall be accepted in accordance with such principles as the Executive Board may establish, provided that such contributions: (a) Will be acceptable to the recipient country or countries; (b) Include amounts sufficient to defray ~~the separately identifiable~~ expenses related to their administration.	Reflect methodology approved by UNICEF Executive Board decision 1998/21 on Supplementary Funds Recovery
Regulation 4.7: All income received by UNICEF shall be credited to the UNICEF Account, referred to in article X, and shall be classified according to the purposes for which such income is received, as follows: (a) Contributions for UNICEF programme activities, programme support and *management and administration of the organization* ~~administrative services~~, the net income from the UNICEF Greeting Card Operation and other income-producing activities shall be credited as general resources; (b) Contributions for programmes or projects approved by the Executive Board subject to supplementary funding shall be credited as supplementary funds; (a) Contributions for emergency operations shall be credited as emergency relief and rehabilitation.	Terminology
Regulation 4.8: All other income received by UNICEF shall be classified as miscellaneous income and shall be credited as general resources, however, the following should not be considered as income to UNICEF: (a) Direct refunds of expenditures made for programme activities or in respect of the biennial *support* budget which shall be credited to the accounts originally charged if received in the same financial period during which the charge was recorded, but refunds of expenditures of prior financial periods shall be credited to miscellaneous income: (b) Revenue derived from staff assessment; (c) Deposits to special accounts established under article V.	Terminology
ARTICLE V: SPECIAL ACCOUNTS	NO CHANGES

ARTICLE VI: FINANCIAL PERIODS	
Regulation 6.4: For the purpose of accounting for expenditures incurred in respect of the biennial *support* budget, as provided for in article IX, the financial period shall consist of two consecutive calendar years, the first of which shall be an even year.	Terminology
ARTICLE VII: MEDIUM-TERM PLAN	
Regulation 7.2: The proposed financial plan shall provide, in detail, the financial projections of: (a) Estimated future resources for each year of the plan period; (b) Estimated yearly levels of expenditures for activities in programmes co-operation, ~~administrative and~~ programme support, *management and administration of the organization*, services and acquisition of capital assets which estimated future resources would make possible; (d) Working capital levels required for the liquidity of UNICEF.	Terminology
ARTICLE VIII: PROGRAMME ACTIVITIES	
***Regulation 8.6**: Programme expenditures for a financial period is the sum of the disbursements and valid unliquidated obligations made against the allocation of the period in respect of direct inputs needed to achieve the objectives of a specific project or programme. This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training*	New Regulation – related to Cash assistance
Regulations 8.7 – 8.13	Renumbered Old Regulations 8.6 through 8.12 are renumbered to 8.7 through 8.13, respectively.
Regulation 8.13 *4*: Ownership of *cash assistance*, supplies, equipment, materials and other property financed by UNICEF for programme activities shall be transferred to the recipient Government or other entity nominated by it, in accordance with the basic agreement. Until transferred, ownership shall remain with UNICEF.	Cash assistance

ARTICLE IX: BIENNIAL *SUPPORT* BUDGET	TERMINOLOGY
Regulation 9.1: The proposed biennial *support* budget shall cover programme support and *management and administration of the organization*. ~~Administrative services~~. It shall be prepared by the Executive Director within the framework of the medium-term plan.	Terminology
Regulation 9.2: The biennial *support* budget shall cover proposed expenditures and anticipated income related to the biennium and shall be presented in United States dollars.	Terminology
Regulation 9.3: Expenditures for programme support and ~~administrative services~~ *management and administration of the organization* shall be financed from UNICEF general resources.	Terminology
Regulation 9.4: The Executive Director shall, in the second year of a biennium, submit ~~his~~ *the* proposed biennial *support* budget for the following biennium to the Executive Board. This proposed biennial *support* budget shall be transmitted to all members of the Board in accordance with the Board's rules of procedure.	Terminology Pronoun
Regulation 9.5: The Executive Director shall also transmit the proposed biennial *support* budget to the Advisory Committee for examination and reporting to the Executive Board.	Terminology
Regulation 9.6: The Advisory Committee is requested to prepare a report to the Executive Board on the proposed biennial *support* budget. This report shall be transmitted to all members of the Board as soon as it is available.	Terminology
Regulation 9.7: The Executive Board shall, in the second year of a biennium, ~~adopt~~ *approve* the biennial *support* budget for the following biennium.	Terminology Consistency

Regulation 9.8: The proposed biennial *support* budget shall *be in the form approved by the Executive Board*, ~~show separately, under appropriate headings~~: ~~(a) The total estimated expenditures for the biennium divided into categories and objects of expenditures~~ and shall be accompanied by such information annexes and explanatory statements as may be requested by the Executive Board or as the Executive Director may deem necessary and useful~~;~~. ~~(b) The proposed means and the estimated expenditures for the acquisition of capital assets;~~ ~~(c) The level and limits of the proposed contingency provisions;~~ ~~(d) The budget estimates, as revised, for the current biennium~~.	Terminology Reflect budget harmonization format approved by UNICEF Executive Board decision 1997/5
Regulation 9.9: ~~*Supplementary*~~ proposals to amend the biennial *support* budget may be submitted by the Executive Director whenever necessary.	Terminology Redundancy
Regulation 9.10: The Executive Director shall prepare ~~*supplementary*~~ proposals to amend the biennial *support* budget in a form consistent with the approved biennial *support* budget and shall submit such proposals to the Executive Board. The Executive Director shall also transmit the ~~supplementary~~ proposals to the Advisory Committee for examination and reporting to the Executive Board.	Terminology Redundancy
Regulation 9.11: Appropriations for the biennial *support* budget approved by the Executive Board shall constitute an authorization to the Executive Director to incur obligations and to make payments for the purposes for which the appropriations were approved and up to the amounts so approved.	Terminology
Regulation 9.12: The Executive Director shall be authorized to make transfers: (a) Between the appropriation lines for the *biennial support* ~~biennium~~ budget to such limits as the Executive Board may specifically decide; (b) Within each appropriation line for the biennium without ~~*prior*~~ approval by the Board.	Terminology Redundancy
Regulation 9.13: Appropriations for the biennial *support* budget shall be available for obligations during the biennium to which they relate.	Terminology
ARTICLE X: THE UNICEF ACCOUNT	NO CHANGES

ARTICLE XI: MANAGEMENT OF FUNDS	NO CHANGES
ARTICLE XII: INTERNAL CONTROL	
Regulation 12.3: The Executive Director may make such ex-gratia payments as *deemed* ~~he deems to be~~ necessary in the interest of UNICEF, provided that a statement of such payments shall be submitted to the Executive Board with the accounts.	Pronoun
ARTICLE XIII: ACCOUNTS	
Regulation 13.1: The Executive Director shall submit accounts biennially in respect of the UNICEF Account and in respect of each special account established and administered by UNICEF in conformity with article V. The accounts shall show: (a) The income and expenditures; (b) The assets and liabilities; (a) The status of each programme budget referred to in regulation 8.2, the allocations made therefrom and the amounts charged against those allocations; (b) The status of appropriations approved by the Executive Board for the biennial *support* budget and the amounts charged against those appropriations; (c) The status of reserves approved by the Executive Board; (d) The status of capital asset accounts. The Executive Director shall also give such other information as may be appropriate to indicate the current financial position of UNICEF.	Terminology
ARTICLE XIV: EXTERNAL AUDIT	NO CHANGES